

ADDRESS

given by

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Mr Chairman, (My Lords, Ladies) and Gentlemen,

It is almost three years to the day since I first had the honor - and the pleasure - to address your great and distinguished gathering. Then, as now, I did so on behalf of the Commission of the European Economic Community: but in those short three years, immense changes have taken place.

In 1959, the European Community was still very young. Some feared it, some doubted if it would succeed. Today, the Community, although still young, is an accepted fact: it has proved itself, and it has proved itself liberal. Great Britain and other European countries are seeking to join it or associate themselves with it: Greece, cradle of European civilisation, has become an associate and will one day, we hope, become a member of the E.E.C. In a word, the European scene is being transformed.

Secondly, in 1959, one particular phase of postwar history was just coming to an end - the phase, that is, of European recovery, associated with Marshall Aid and with the O.E.E.C. Today, the O.E.E.C. has been replaced by the O.E.C.D. - an Atlantic organisation to take the place of a purely European one. If the European scene is being transformed, so is the Atlantic scene; and President Kennedy's Trade Expansion Act marks a further stage in that transformation. Together, all of us, we stand at the threshold of a new era - the era of Atlantic Partnership.

These two great changes did not coincide by accident. Each is partly the cause of the other, and partly the effect; and both determine what I have to say now. In 1959, a major part of my duty before you was that of an advocate - to explain and, indeed, to defend the European Community. Speaking on behalf of the E.E.C. Commission, I spoke not as a German, but as a European citizen with European responsibilities. Today, it is my purpose and my privilege to speak not only as a European, but also as an Atlantic citizen - to try to set forth

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how my colleagues and I see our Atlantic responsibilities, within the double framework of the Alliance that already is and the Partnership that is to be.

I have mentioned two changes that have occurred in the past three years: but there is also a third. Quite recently, the Soviet Union began to show new interest in the growing European Community. From the beginning, of course, the Community has been the target of what seemed like routine propaganda attacks. What is new is that these attacks have now become more serious, more subtle, and more sustained. Only last Spring, we were made aware of Mr. Khrushchev's personal attention. The Common Market, he said, "is a state monopoly agreement of the financial oligarchy of Western Europe which the aggressive quarters of imperialism use with the object of strengthening NATO and stepping up the arms race." It was paradoxical, to say the least, that at about the same time some of the Community's friends and allies were pondering the same problem, asking themselves - and us - how a united Europe could best be fitted into the Atlantic framework, while others were voicing their anxiety lest Europe be tempted by the old mirage of a so-called "third force".

Obviously, such conflicting theories cannot both be right. For myself, I am convinced that they are both wrong. But the question remains, what in fact - not in fear or fancy - is the European Community, and what is its place in the great forum of freedom that you and we are here to represent?

First, what is the Community? Perhaps I should rather say, what is it becoming? - for it is a process, not a product. Indeed, it has been well said that the E.E.C. is a kind of peaceful three-stage rocket. The first stage is that of the customs union; the second, economic union; and the third, political union. Today, we are nearly halfway towards a full customs union; we have embarked, decisively, on economic union; and it is already clear how deeply the implications of political union are embedded in the other two.

Already, tariffs on industrial goods traded among the Community's Member States have been cut by half - eighteen months ahead of schedule. Those on an agreed list of farm products have been cut by 35 % - again ahead of schedule. By next July, we shall have completed two-thirds of the process of levelling out our Member States' external tariffs into the Community's single tariff - itself already reduced by the "Dillon round" of negotiations with our partners in the rest of the free world. In this last respect, we shall then be two-and-a-half years ahead of schedule; and the Commission proposed a fortnight ago that the full customs union should be completed by 1967 - a full three years ahead of schedule.

At the beginning of 1962, moreover, an equally significant landmark was sighted - and passed. Painfully, arduously, but triumphantly, the Community moved into the second four-year stage of the Rome Treaty's transition period. From now on, only a proposal from the Commission can delay the transition period, and then only if such a proposal is accepted by all the Member States. From now on, majority voting, which was already applied in the Community's Council of Ministers on a number of issues, is automatically extended to a number of others - a symbol, as well as an instrument, of our growing unity.

Our passage into Stage Two, moreover, symbolized also the fact that our economic union has already begun. The first moves have been made to liberalize capital and persons; the first forms of national discrimination in transportation have been removed. Our first anti-trust regulations have begun to be applied: so far some 800 agreements between three or more firms have been notified for screening by the Commission. More important still, we have made a beginning upon common policies in the three key fields marked out by our founding Treaty - agriculture, transportation, and foreign trade. Nor should I omit to mention the less spectacular but equally vital work that is now going on in the innumerable other spheres of the Community's unifying activity - on labor programs, patents, tax systems, monetary problems, and the harmonization of countless national laws.

In this connexion, I should like to give you a few figures - and these are typical of the way things have been developing. Of course, nobody can bring mathematical proof that this can be attributed to the European Economic Community alone; but we have no reason to doubt that such successes would not have been possible if there had been no Common Market. Now the figures: the gross product of the Community increased by 24 % between 1958 and 1961. Industrial production by itself went up 29 %, while trade between Community countries rose by 73 %. Its external trade also showed a considerable rise in this period - 27 %. This is greater than the general expansion of world trade, which was only 19 %. I will not worry you with more figures, but I think that those I have quoted suffice to give an idea of the dynamic way in which the Community is developing.

What is emerging from all this is not just an economic union. Rather, it is political union, so far limited to the economic and social fields. It is because this union is political, indeed, that the Commission recently put forward a comprehensive action program intended to fill out with flesh and blood the bare bones of the Treaty: the completion of our "European constitution" with "European laws" is too great a matter to be left to chance.

How soon that constitution may be extended to new fields - culture, foreign affairs (other than commercial policy which is already covered by the Treaty), defence - remains an open question: so too does the precise form that such extension may take. This form might be modelled on our existing constitutional mechanism, the present Community's institutions: on the other hand it may be that for the time being other forms of unity will have to be sought. But what is certain is that the existing mechanism must and will continue to function, and that its essential principle - that of a Community element which is more than the sum of the national parts - should have a place in whatever new mechanism may be created in the future.

Such, then, is the developing European Community - a new fact, a new force and, I like to think, a new friend for our allies and partners. What is the response of our other Atlantic friends to this new

phenomenon? How do we mean to understand each other, to face each other's problems, to live together, to work and trade and strive together? The answer, I believe, is inseparably linked with the development of United States policy towards Europe since the war.

From the very beginning of the postwar period, America has steadfastly supported the unification of Europe. The same basic theme has run through four Administrations, two of them Democratic, two of them Republican. It is continuous from 1947, when Secretary of State George C. Marshall expressed the then distant hope that the "logic of history" would draw Europe together "not only for its own survival but for the stability, prosperity, and peace of the entire world". It found a fresh echo 1962, when President John F. Kennedy reaffirmed that the United States looked on the "vast new enterprise" of the European Community "with hope and admiration", and declared: "We do not regard a strong and united Europe as a rival, but as a partner."

The O.E.E.C. and NATO were the first organic expressions of this Atlantic solidarity. The O.E.E.C., offspring and distributor of Marshall Aid, can now be seen as a kind of American and Canadian "self-denying ordinance", allowing to a ruined and impoverished Europe economic and commercial privileges which gave her a breathing-space for her postwar recovery. But the very success of the O.E.E.C. and the European Payments Union in liberalizing intra-European trade and payments was at length to remove the raison d'être of this privileged position. With the consequent disappearance of discrimination against the dollar, there remained to the O.E.E.C. only its third main function - intra-European co-operation in matters of economic policy. It would be idle as well as unfair to deny the usefulness of such co-operation: but as a basis for unity in Europe it was gravely weakened by the looseness of its framework. As a basis for Atlantic partnership it was weaker still - not only because the United States and Canada had merely the status of observers in the O.E.E.C., but more especially because within it the separate nations of Europe were insufficiently united to speak with their transatlantic partners on equal terms.

The formation of NATO expressed a different kind of Atlantic solidarity. Its basic logic - common defense against possible aggression - is that of a classical defensive alliance: so, in many respects, is its formal structure. But because one of its members is immeasurably more powerful than any of the others, it has always demanded from that member the highest degree of responsibility, and from the others the highest degree of trust. That responsibility has never faltered: but the need for it, and the complementary need for trust in it, are magnified a thousand-fold by the conditions of thermonuclear warfare. Small wonder, indeed, that the Atlantic Alliance has been continually subject to stresses and strains.

It is not for me to recall past difficulties here. Suffice it to say that the specific and immediate causes of stress and strain have been very various, including NATO members' other commitments, recurrent balance-of-payments problems, political and strategic debates, questions of atomic secrecy, and the continual, inevitable tension between the need for a plausible deterrent and the fear of its being unleashed except as a very last resort.

Of course, the most radical solution to all these problems - as indeed to so many of the fears and tensions that beset our world - is controlled disarmament in both the nuclear and the conventional spheres. Towards this goal we must and shall continue to strive. But until we have attained it we must face facts - those sombre facts that make our military alliance a vital guarantee of peace. How then can we improve its workings?

Over the past thirteen-and-a-half years our Atlantic Alliance has proved its flexibility by continually adjusting to new situations and new developments in military technology. Various attempts have been made, sometimes successfully, to palliate the immediate causes of stress and strain. But the basic structure of the Alliance, with its twin and complementary demands for responsibility on the one hand and trust on the other, has remained unchanged. Essentially, the problem has been twofold: how - safely - to spread the responsibility more evenly, and how at the same time to increase mutual trust.

These are highly controversial matters; and I do not intend to enter the controversies that still surround the question of independent deterrents or the proliferation of nuclear weapons, nor indeed the more technical but no less hotly debated problems of military division of labour, tactical nuclear weapons, "escalation" theory, and the so-called "permissive link" system. What I should like to recall, however, is that the creation of a united Europe potentially affects both aspects of the basis problem - responsibility and trust.

Of the former it may still be premature to speak. Let me merely recall two facts. The first is that in the days of the European Defense Community project there was no question of its "dividing NATO"; the United States, indeed, strongly supported the project precisely as a step towards spreading the responsibility for common defense more evenly throughout the Alliance. This, it is true, was in the non-nuclear field. But the second fact is something that qualifies that statement: it is the remark made by Mr McGeorge Bundy in his now celebrated speech in Copenhagen last September. He said that no one should suppose that the United States was unwilling to share in this grim responsibility whenever the responsibility was truly shared. It would also be wrong, he added, to suppose that the reluctance which it feels with respect to individual forces would be extended automatically to a European force, genuinely unified and multilateral, and effectively integrated with the necessarily predominant strength of the United States in the whole nuclear defense of the Alliance.

It is not for me, as I say, to enter into the merits of these grave matters at the present time: but it would be disingenuous to ignore their existence. Before I stray too far from my brief, however, let me return to the second aspect of the twin problem I have mentioned - that is, the question of mutual trust.

NATO, as we all know, has always sought to be more than a merely military Alliance. Article 2 of the North Atlantic Treaty, indeed, calls for economic collaboration, and Article 4 for political consultation. In 1956, the Committee of Three recommended, and the NATO Council established, institutions to serve these ends. This, perhaps, was a first

attempt to set up what might be called the infrastructure for ever greater mutual trust - a first attempt, in fact, at Atlantic Partnership in the non-military field. That such an attempt was urgently necessary became more apparent as the deterrent was seen to be effective: short of war, it was vital to be able to meet aggression on the economic and political plane. And yet, looking at the fruits of NATO's economic and political efforts, which of us can feel satisfied that true Atlantic Partnership has been established?

To say this is not to criticize the dedication and the skill of those who have worked, and are still working, to further the economic and political efforts of NATO. The root cause, I am convinced, lies deeper. It, too, is inherent in the structure of the Alliance, grouping as it originally did one giant member and fourteen others each of whom is inevitably smaller than a world power of continental size. Partnership, in fact, is only possible between comparative equals.

The decisive change that has now transformed this situation is the establishment of the European Community. I do not wish to claim all the virtues for Europe; and I am well aware - all too well aware - that the Community has a long way to go before it is ready in all fields to be a full and equal partner of the United States. But already, as I hinted at the beginning of my remarks, the creation of the European Community has had two Atlantic consequences, both of them positive, neither of them divisive.

The first is the transformation of the O.E.E.C. into the O.E.C.D. In the new organization, the United States and Canada are full members, not just observers: hence the word "European" has been dropped from its title. Furthermore, its purpose is no longer the recovery of Europe, but the development of the free world: hence the word "Development" has been added.

The second consequence of the creation of the European Community is no less significant. That is the bold and imaginative Trade Expansion Act recently passed by the United States Congress and specifically designed by President Kennedy to meet the challenge and opportunity presented in the first instance by the European Community. Under

the new Act, the President is empowered to make greater tariff reductions - even to the point of eliminating certain tariffs - and to negotiate them in broad categories of goods rather than by the cumbersome item-by-item system of the past. Equally important is the Act's provision for trade adjustment assistance to American firms and workers adversely affected by increased imports - the pledge that what is in prospect is a serious attempt at trade partnership, not just an exercise of tariff-cutting where it hurts - and matters - least.

In these two ways, then, partnership is in prospect. What, in concrete terms, does this mean here and now?

In this connection it is perhaps as well to define our terms. So far, I have spoken exclusively of an Atlantic Partnership, never of "an Atlantic Community". This is not just because like the jealous tenant of a house named "Mon Repos" or "Sans Souci", I am reluctant to see the same name on the house next door. In any case, "Sans Repos" or "Mon Souci" would probably be more appropriate!

No, my reason for rejecting the term "Atlantic Community" is more serious than this. It is to avoid misunderstanding. In the sense that we are now accustomed to use it, the word "Community" is an innovation, adopted to describe the fundamentally new organism established by the Treaties of Paris and Rome. If that organism is not fully either a federation or a confederation - I leave to constitutional lawyers the distinction between the two - it is nevertheless very different from even such an international organization as NATO. It certainly has federal elements: it certainly involves what Mr Harold Macmillan has aptly termed "the pooling of sovereignty": it certainly, as I have already suggested, already represents partial political union. Would it be reasonable, then, to expect the United States to join in so thoroughgoing a venture? Would it even be conceivable? I think our American friends here will agree with me that American public opinion is a very long way from accepting such an idea.

Nor is this a question that concerns the United States alone. Even if American public opinion were by some miracle to accept the idea of America's "joining the European Community", thus transforming it into "an Atlantic Community", I have very grave doubts as to whether it

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would be feasible in practice. So vast a geographical extension of the Community, I am convinced, would wreck the whole operation.

I raise this point, not because such a possibility is anything but a pipe-dream, but because it has direct relevance to a further theme in the future Atlantic Partnership. That is the question of future British membership of the European Community.

I put this question in the foreground, not because I wish to belittle or depreciate the other requests for membership or association or special trade links with the Community, but simply because everyone recognizes that the solutions to these further problems will depend in large measure upon those to be achieved in the negotiations with Great Britain.

Of the technical details of these negotiations this is no place to speak now. We all know the difficulties: we all know the dangers. We all know, too, the immense importance that attaches to these questions, and the immense efforts, on both sides, that are necessary to solve them. The E.E.C. Commission has pledged its best endeavours to the search for a successful outcome; and the part the Commission's drafts have played in preparing the compromises so far achieved is no secret. We know that it is difficult for Great Britain, with different habits and traditions, to make the act of faith in Community institutions and procedures which our existing Member States themselves first made with some misgivings. But there is all the difference in the world between seeing something from outside and experiencing it from within: and I believe that Great Britain and the British people will some day feel as much at home within the Community as those whose honor - and headache - it was to blaze the first trail.

I said just now that the negotiations for British membership formed part of the theme of Atlantic partnership. What I meant was this. Great Britain, with her vast if diminishing system of Commonwealth Preference, brings to the Community's doorstep not just the thorny problems of her own domestic economy - especially difficult, as we have all seen, in the agricultural field. She faces us with the need to find solutions, rapidly, for some of the biggest tangles that face us in the whole

international economic scene. For the most part, these are the very problems with which Atlantic Partnership will have to deal. The problems of India, Pakistan, and Ceylon face us immediately with the whole issue of aid to developing countries and of our future policy regarding low-wage manufactures. The problems of the African Commonwealth countries raise in direct form the whole question of markets for tropical products, not only from Africa, but also from Latin America. The agricultural problems of Canada, Australia, and New Zealand pose at once the world problem of agricultural surpluses and the proper organization of production and marketing. These same countries' industrial problems face us squarely with these very issues that the Trade Expansion Act is designed to help settle.

Challenged on all these fronts, the Community could have found a simple - and disastrous - way out: that is, to freeze existing trade systems by simply linking the enlarged Community and the Commonwealth. This would have created the biggest discriminatory preferential area that the world has ever seen, thereby making nonsense of GATT. In the numerous cases where economic interests within the area would have conflicted, it would have meant special isolation of the British market - thereby nullifying the Community. So vast an extension of the Community, moreover, would have weakened it in other ways too. Finally, and most important of all, it would have wasted the opportunity that British membership and Atlantic Partnership now promise to give us to reform the trading arrangements and to strengthen the economic cohesion, of the entire free world.

So enormous a task, it is obvious, cannot be accomplished overnight. That is why so many of the solutions so far envisaged in the British negotiations may seem vague or insufficient - promises, procedures, declarations of intention, general mechanisms to be set in motion in the future. But that, in essence, is precisely what the E.E.C. Treaty was in 1957 - and look how far we have come since then!

For myself, then, I am far from pessimistic about the future. We know the tasks that face our future Atlantic Partnership: now we have to explore them. First in line are the trade negotiations: these

have to be prepared and studied, not merely for their commercial consequences, to see that the balance is even, but also for their deeper economic meaning. How far, for example, shall we have to look at other barriers to trade, besides the obvious barrier of tariffs? How far shall we have to envisage, within the Atlantic Partnership, something of the harmonization of economic conditions - on both sides, and in the interests of both partners - that is already necessary within the European Community? How can we so steer the negotiations that they benefit not only the two major partners, but the Atlantic world and the free world as a whole?

Then there is the question of world agriculture. Already, under the spur of the British negotiations, we envisage world commodity agreements. What role can the Atlantic Partnership play in their organization? What precisely should be their content? How shall their obvious dangers be avoided? How can they be linked with the concomitant questions of aid?

Wherever one looks, indeed, one sees vast challenges. There is the world monetary problem: how can the European Community, how can the Atlantic Partnership safeguard the fruits of men's labour and their thrift? There is the problem of the so-called terms of trade: how can we, with our wealth and our consequent responsibility, face the double dilemma of maintaining our own stability without progressively mulcting those less fortunate than we? There is the problem of booms and slumps: can our joint ingenuity devise methods of meeting them without any longer merely exporting our problems until they return to plague us, multiplied by our partners' problems too?

These are some of our tasks. Do we have the means to tackle them? Personally, I believe that we have. I am not tempted by the notion that we should straightway set up some central Atlantic body to direct our efforts: and this for two reasons. The first is that a major part of those efforts, paradoxical as it may seem, must continue to be competitive. We must harness the forces of free competition, curbing their ill-effects, rather as we have in the European Community: part of the purpose of tariff-cutting, indeed, is to set these expansionist

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forces free. But there is a second reason for my distrust of a priori institutions. As yet, we do not know what precise role they should fulfill. When we do, it will be easier to devise them: but to do so now would involve us all in the sterile discussion of constitutional principles and the meaningless dispute of as yet non-existent powers. Already, we have four great institutions: we have NATO, we have the O.E.C.D., we have the I.M.F., and we have the GATT. Let us trust to our collective skill to use them wisely.

To say this, finally, is not a counsel of conservative despair. I am not trying to suggest that we have found the perfect framework for Atlantic Partnership, that these institutions may not need reforming, that their methods may not be improved. What I am saying is that impulse for reform and improvement is already there. What I am affirming is that a major part of that impulse, and a major part of the new opportunities which we now enjoy, derive from the dynamic of European integration, at present limited to economic subject-matter, but potentially - even more than potentially - a major political contribution to the strength of the free world. That, not Mr Krushchev's "imperialist" accusation, is the true link between the E.E.C. and NATO.
